



HEBER CREEPER

P.O. BOX 69, HEBER CITY, UTAH, 84032

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Heber Creeper, Inc.
Minutes-Board of Directors Meeting
February 27, 1975

Present: Lowe Ashton
James Ritchie
R. R. Green
C. H. Nielsen
J. D. Boggess

W. R. Budd
Gordon Mendenhall
J. R. Edwards
Del Wallengren

Also Present:
Rey L. Arnold

Rey Arnold read the minutes of the previous meeting held January 16, 1975. J. R. Edwards noted that item No. 2 under Museum comments was a personal observation, had been requested to be "off the record", and should be deleted. Such deletion was directed by Lowe Ashton. James Ritchie moved to accept the minutes as amended. R. R. Green seconded. Motion carried.

Rey Arnold presented the December 31, 1974, financial report with a correction to the amount charged to right-of-way lease expense. Lowe indicated this correction was necessary because of a problem in the lease. He indicated he would have that and several other minor problems in the lease corrected.

Gordon Mendenhall presented a written report of recommendations from the food concession lease committee and moved that it be made part of the minutes and that the President, General Manager, First Vice-President, and R. R. Green be appointed to draw up a lease from said recommendations for submission to the Board. J. D. Boggess seconded. Motion carried (report attached to minutes).

Del Wallengren presented recommendations from the management compensation committee for the calendar year 1975 as follows:

1. Base wage: \$900.00 per month plus health and accident insurance
2. Profit incentive: 25% of pre-tax profit excluding depreciation, interest, and capital expenditures from expenses and adding a 5% lease expense for railroad operations.
3. Gross incentive: 5%, in stock of excess gross sales over 1974 with adjustment for Bridal Veil Falls.
4. New ventures: New ventures would be included in profit incentive and gross incentive

J. D. Boggess moved that the recommendations be accepted and that James Ritchie be directed to handle negotiations leading to a finalized contract for board approval. Gordon Mendenhall seconded. Motion carried.

Rey Arnold reported that the group seeking to purchase Bridal Veil had SBA approval for refinancing but had not closed the sale. They intend to operate a food and gift shop facility in 1975. Rey felt an arrangement for ticket sales could be worked out. Del Wallengren moved that Rey Arnold be authorized to make an offer to lease the property on terms similar to 1974 contingent on the failure of a sale to go through. James Ritchie seconded. Motion carried.

Del Wallengren reported that he or other investors may be interested in financing the expansion of the NIGHT TRAIN on a longer term (as much as 10 years) with a pre-established buy out figure at the end of each year. Del presented a tentative set of figures (attached to minutes) describing how such a program might work.

Lowe Ashton reported that he had had one contact with Worsham and several with the Stewart group since last meeting. Neither group was "dead" as a possible investor and participant in development of the Master Concessionaire plan, but neither had showed us the color of their money.

Lowe recommended that the Creeper consider SBA or other financing as a means of immediate expansion and diversification. He indicated that with an additional loan of \$220,000 (making the total \$350,000) we could accomplish the following:

1. Feasibility study of State Park	\$15,000 ✓
2. Lease Stardust Cafe and Motel	20,000 ✓
3. Winterize Creeper	32,500 ✓
4. Purchase diesel locomotive	30,000 ✓
5. Double NIGHT TRAIN	47,000 ✓
6. Buy out food concession	18,000 ✓
7. Restore 2 Spot	8,000
8. Acquire 2 buses	13,000
9. Upgrade track	25,000
10. Build portable depot	12,000
TOTAL	<u>\$220,500</u>

Lowe reported that such a move would allow extremely attractive promotional packages, would put the company firmly in a year around operation, and should increase profitability and return on investment. Considerable discussion on the flexibility such a plan would provide such as buses to allow multiple boarding times, pre-booking skiers into the motel, etc. Lowe indicated that rough terms of the Stardust lease would be roughly as follows:

1. Two-year lease with five-year option (Del recommended this be modified to one year as a trial for both parties with a firmer option) Jack questioned if we should also get an option to purchase.

2. Rental: Cafe \$12,000 flat, Motel \$48,000 with 10% of first \$10,000 in gross over 1974 and 20% beyond that.

3. A maintenance commitment of \$600 per month spent or escrowed.

4. A provision to match any available override rent in capital improvements.

Lowe indicated that not all projections were complete, but that he wanted to expose the concept to the board for the purpose of making an early decision. Expressions of concern about the state of the economy were made. Countering rational about the probability of having favorable interest rates for the next few months was suggested. Gordon Mendenhall suggested that May first would be an excellent time to go into the motel and cafe business.

The next Board meeting was set for March 18, 1975.

C. H. Nielson reported that the Museum would be forwarding a set of recommendations and lease conditions within a few days.

February 25, 1975

Mr. Lowe Ashton
President,
Heber Creeper, Inc.
P. O. Box 69
Heber City, Utah 84032

Dear Mr. Ashton:

According to the instructions given to me and others in the minutes of the Heber Creeper Board of Directors on January 16, 1975, we have met and made some recommendations concerning the renewing of the Concession Agreement dated May 17, 1974 by and between Heber Creeper, Inc. and Hubco. After reviewing this lease, we would like to suggest the following changes in considering renewing this lease for another operating season with Hubco. May we report as follows:

Section 3, Page 1. It was felt in the beginning that this section should be eliminated, but after further consideration, it was decided that it should be left in the contract as written.

Section 4, Under Agreement- It was felt that the term for the renewal lease if executed, should run from May 1, 1975 to and including October 15, 1975.

Section E, Page 3. It was felt that the first part of this section should be changed to read: "On or before the 10th day of each and every month, Hubco shall pay to the Creeper, an amount equal to 7% of the gross receipts after sales tax, or \$1,000.00 whichever is the greater.

Section 6, Page 4. It was felt that this paragraph was not definite enough concerning entertainment for the night train and that it should be completely changed and a new paragraph inserted making the entertainment a more definite thing and

that the portion beginning "In addition, Hubco agrees to leasehold improvements," at the end of this sub section should be eliminated.

Paragraph 7, Page 4. It was felt that this paragraph should be revised to show that the Creeper agrees to be ready for operation at least thirty minutes prior to the time of departure to coincide with the thirty minute advance preparation to be made by Hubco.

Handwritten: Hubco responsible for any major structural changes that might be required by the Board of Health, and all other requirements would be the responsibility of Hubco.

Section 9, Page 5. It was felt that the Heber Creeper should be responsible for any major structural changes that might be required by the Board of Health, and all other requirements would be the responsibility of Hubco.

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Section E, Page 5. It was felt that the insurance requirements of Hubco, particularly that of Products and Professional Liability should be in the same amounts as the Heber Creeper and that the Heber Creeper should be shown as an additional insured under Hubco's policy.

Section G, Page 6. It was felt that the amount Hubco would provide for advertising should be increased from 2% to 3% of gross sales.

Section C, Page 6. It was felt that this section should be eliminated.

Section E, Page 6. It was also recommended that this section be eliminated from the new contract.

Handwritten: Question

Section G, Page 7. It is recommended that this section be eliminated from the new contract.

Section I, Page 7. It was felt that there should be some revision in this section which should be agreed upon by the management of Hubco and the officers of Heber Creeper.

Section 11, Page 8. It was suggested that this section be revised and that the only bills which should be submitted in advance, and be approved, are those kind of bills which might create mechanics or materialman's liens against the Heber Creeper.

Section 13, Page 8. This section should be eliminated.

Section 14, Page 8. It is recommended that the word "Annual" be eliminated from the new contract.

We realize that there might be other minor changes which should be made in connection with the revised contract, but we feel that this can be handled by the management of the organizations concerned with this contract.

Over and above the discussion concerning the contract its'self, Hubco feels that they are willing to spend considerable funds to expand the night train concept, but feeling that this is something separate and apart from our assignment, we felt that this should be discussed and handled separately from this report.

Respectfully submitted,

Gordon Mendenhall

nj

Proposed Financing/Buy out
of NIGHT TRAIN package
Del Wallengren

10 year lease \$20,000 investment

Depreciation over life of lease \$2000/year

Appreciated Value	At the end of year	Sale Price (Buy back)
18,000	1	30,000
16,000	2	27,000
14,000	3	24,000
12,000	4	21,000
10,000	5	18,000
8,000	6	15,000
6,000	7	12,000
4,000	8	9,000
2,000	9	6,000
0	10	value in place